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SUBJECT: (IMI) REPORT ON VAYOTS DZOR PROVINCE

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SUMMARY  
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1. On April 14-15, 2005, Embassy's BISNIS representative visited the Vayots Dzor region of Armenia to explore investment and trade opportunities for U.S. companies and to expand U.S.-Armenian commercial ties. He met with the province's business leaders and government officials. This is the latest in a series of regional trips to reach out to local companies throughout Armenia to promote the BISNIS "Search for Partners" and "Trades and Tenders" programs and collect information on investment and commercial opportunities for U.S. companies. End Summary.

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VAYOTS DZOR: GENERAL BACKGROUND  
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2. Vayots Dzor is located in the Southern part of Armenia. According to the Vayots Dzor governor's office, the province has 62,000 inhabitants: 20,000 urban residents and 42,000 rural residents. The province borders Azerbaijan to the East and Nakhchivan, an Azerbaijani enclave territory, to the West. With an altitude ranging from 3,000 feet to 6,500 feet, Vayots Dzor is located on the upper and middle reaches of the Arpa River, the largest arm of Arax River, which ultimately runs along the Armenia-Turkey and Armenia-Iran borders. There are many historical landmarks in the province, as well as gorges and deep canyons, karsts and caves, forests, and rich agricultural lands.

3. Vayots Dzor's mineral resources include basalt, felsite, perlite, and quartzite. The province also has mineral water springs located near the resort town of Jermuk. Vayots Dzor has significant water resources for hydro power generation.

4. More than 40 percent of Vayots Dzor's population inhabits the three major towns - Yeghegnadzor, the region's capital (8,200 inhabitants), Vaik (5,400 inhabitants), and Jermuk (5,800 inhabitants).

5. The province's industrial sector comprises 70 small and medium-sized private enterprises engaged in food processing (wine production, cheese making, bottling of mineral water), stone mining, jewelry production, and electronic industry. In 2004 the region's aggregate industrial output totaled USD 9.5 million. The wineries located near Yeghegnadzor and mineral water bottling companies in Jermuk generate the greatest share of the province's industrial volume and sales.

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SECTORS  
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6. There are 10 major mineral water bottlers that produce about 30 million bottles annually and account for 80 percent of the mineral water bottling in Armenia. Among the largest bottlers are the (unrelated) Jermuk Group and Jermuk Joint-Stock Company. The Jermuk Joint-Stock Company privatized their plant in 1995 and installed plastic production lines the same year. Both companies dominate Armenia's market and also export to CIS countries, the Middle East, Europe, and the United States.

7. Vayots Dzor is Armenia's largest grape growing and winemaking region. It is famous for its Black Areni varietal, which is good for red table wine and semi-dry wines. As winemaking becomes a profitable business in Armenia, local farmers are steadily increasing grapes production in the province. There

are now several private wineries in Vayots Dzor that export their product to the CIS, EU countries, and the United States. Currently a Vayots Dzor winery seeks suppliers of used oak barrels for aging (see below).

18. In 2000, the USDA Marketing Assistance Project initiated a dairy goat breeding project in Vayots Dzor to increase the production and consumption of goat milk and cheese. A number of private goat breeding enterprises, including Golden Goat Plus, Selim, Spitak Aghpyur, Vayots Dzor, Vernashen Kat, and Jermuk Blue are now successfully operating in the province. Some of them produce a high-quality packaged cheese that is exported to the United States and European countries.

19. Jermuk is a resort town and a popular tourist destination during Soviet times. Local spas provide mineral water treatments. One of the major investors in Jermuk's infrastructure, the Jermuk Group, has recently privatized a large resort hotel and converted it into a high-quality facility. Local and foreign investors are currently renovating many of the town's other hotels and spas. They plan to import furniture and spa equipment from Europe and the United States. The Jermuk mayor's office recently established a tourism information center where potential investors, suppliers, and foreign tour operators may obtain information on business opportunities in Jermuk.

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INVESTMENT OPPORTUNITIES  
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10. Most enterprises operating in Vayots Dzor have potential and need to establish long-term cooperation or a partnership with foreign investors. Some offer interesting commercial and investment opportunities. The Embassy encourages interested U.S. firms to contact the Political-Economic Section of the Embassy or the BISNIS Trade Specialist for Armenia Ellen House by phone at (202) 482-2284 or email at Ellen\_House@ita.doc.gov

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FOOD PROCESSING  
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11. Company: Vayots Dzor LLC

Vayots Dzor is a private company established in 1998 in Yeghegnadzor that bottles mineral water and produces goat cheese for export to the United States. The company also owns 20 hectares of orchards and produces high quality fruits and vegetables, including apricots, peaches, pears, and apples. The company seeks a U.S. partner to establish joint production of canned fruits and vegetables. It also wishes to set up natural juice production. Vayots Dzor LLC is able to invest some USD 500,000 into the cannery project. A business plan in English is available and can be mailed upon request.

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STONE CUTTING  
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12. Company: Vazo LLC

Vazo was established in 1985 and privatized in 1994. It specializes in stone processing, manufacturing slabs from tuff, basalt, and granite. The company also owns a quarry of basalt and granite. The company markets its products in Armenia and exports them to CIS countries. The company wishes to upgrade its stone cutting and polishing machinery. It seeks a U.S. partner to provide a modern stone processing line. Vazo would invest its inexpensive, qualified labor, well-established distribution channels, as well as some financial resources. A business plan is available and can be mailed upon request.

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SMALL HYDRO-ELECTRIC PLANTS  
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13. Vayots Dzor has significant water resources for hydro-electric generation. The province has six privately owned small hydro power plants (HPP) located on the Arpa and Yeghegis rivers. Their total installed capacity is 6 Megawatts. According to local experts, there is potential for profitable development of new small hydroelectric plants since the Government of Armenia recently set higher tariffs for electricity from small HPPs than from large HPPs.

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## TRADE OPPORTUNITIES

### 14. Company: Ginetas LLC

Ginetas was established in 1998 in Vayots Dzor province by a professional wine engineer technologist. Using the Vayots Dzor variety of grapes, Areni, the company produces several new brands of wine. USDA Marketing Assistance Project in Armenia has financially and technically supported the firm since 1998. Ginetas intends to purchase up to USD 100,000 of used wine oak barrels for aging. It seeks a U.S. supplier of barrels under flexible financial terms.

15. For more information on business opportunities in Vayots Dzor, please contact:

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